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27 January 1972

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Robert Hull re Financing  
of Foreign Service Retirement System

1. Today, Robert Hull, Department of State, called concerning the outcome of the Department's meeting with OMB representatives on financing of the Foreign Service retirement system and clearance for transmittal to Congress of liberalizing and catch-up benefits for the system.
2. Financing. OMB did not question State's actuary prediction (based upon an ever increasing payroll due to pay increases) that the assets in the fund would be always more than sufficient to meet obligations. Nevertheless, OMB insisted that the Department come up with a proposal for funding the portion of "normal costs" not covered by present employer/employee contributions. (Similarly, OMB has raised questions about the CIA system on the equitable sharing of "normal costs.")
3. OMB Benefits. OMB is using the leverage it has on the financing issue to hold up amendments to the Foreign Service system which have been transmitted to them for clearance to the Congress.
4. Merger. To resolve the impasse, OMB representatives brought up the merger of the Foreign Service with the Civil Service system as a possible solution. This would include merger of the funds, permitting Foreign Service retirements under the FBI formula and perhaps the retention of certain other benefits, including selection out annuities at certain officer levels. OMB felt that all independent Federal retirement systems should be merged into one system and in that connection cited an ironclad guarantee from CIA to merge if other systems merged. Hull wanted to check this out with us. Hull said that in view of their lack of political clout on the Hill and failure to get catch-up amendments over the past several years, perhaps one way to solve their problem is to capitulate on the merger question. In response to my query, he said they had not yet thoroughly reviewed the full impact of a merger and whether management as well as administrative control might be involved.

On file OMB release instructions  
apply.

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5. Miscellaneous. Hull reported that the Civil Service retirement fund had been increased to a 5 per cent valuation which would reduce normal costs by approximately 1 per cent and provide room for the financing of further liberalization. He did not know what the Civil Service Commission's plans were in this respect.



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Assistant Legislative Counsel

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EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON 25, D.C.

MAR 14 1963

Honorable John A. McCone  
Director of Central Intelligence  
Central Intelligence Agency  
Washington 25, D. C.

Dear Mr. McCone:

This is in reply to your request of December 10, 1962, for advice on a draft of a bill, "To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes."

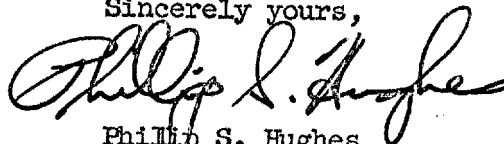
In discussions with your staff, agreement has been reached regarding a number of changes in the draft as submitted. Agreement has also been reached that, subsequent to enactment of any legislation along the lines of your draft bill, Agency regulations for the operation of the retirement and disability system and Agency criteria for selection of officers and employees to be eligible for coverage under the system, will be submitted to the Bureau of the Budget for approval prior to activation of the system.

It was also agreed that, whenever the Administration seeks uniform legislation covering retirement and related provisions for personnel engaged in foreign operations, CIA will be included in such a comprehensive system with respect to retirement and related matters.

Finally, it is our view that Section 2(8) of the draft, concerning the investment of gift funds or the proceeds thereof, should be redrafted as to limit such investments to securities of the United States or securities guaranteed as to principal and interest by the United States. This position is based on consideration of uniform policy and treatment of such gift funds as are established in departments and agencies of the Executive Branch.

Subject to the above, the Bureau of the Budget advises that there would be no objection to the presentation of your proposed draft bill from the standpoint of the Administration's legislative program.

Sincerely yours,



Philip S. Hughes  
Assistant Director for  
Legislative Reference

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Journal - Office of Legislative Counsel  
Friday - 3 March 1972

Page 2

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4. [redacted] Mr. Robert Hull, Department of State, called to report that the Office of Management and Budget had agreed with Treasury on the definition of "unfunded liability" with respect to financing retirement systems and that only "past" unfunded liability would be subject to the graduated interest payments by Treasury. OMB has asked State to come up with a proposal for funding the portion of "normal costs" not covered by present employer/employee contributions. Hull said that he understands that OMB intends to apply the same criteria to the CIA system. One solution proposed by OMB would be merger of the Foreign Service retirement system with the Civil Service retirement system. In response to my request, Hull said he would send me a copy of the paper he is pulling together on this general subject and it was agreed that somewhere down the line, when more of the facts are sorted out, it might be well for the managers of our respective retirement systems to get together to determine what joint action might be in our mutual interest. (See Memorandum for the Record of 27 January 1972.)

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5. [redacted] Visited Manchester, New Hampshire  
regarding [redacted] See Memo for the Record.

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7. [redacted] Richard Kimmel, on the staff of the Joint Committee on Atomic Energy, called to say that the transcript of the Director's briefing of 16 February was ready for us to pick up and correct. I told him I would be by for it on Monday.

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8. [redacted] I learned that the following persons will appear before the Senate Armed Services Committee on Tuesday, 7 March, to discuss the provisions of the Armed Services procurement authorization bill having to do with Laos: Mr. G. Warren Nutter, Major General George M. Seignious (both of ISA), Mr. Donald R. Brazier (DOD Comptroller), and Mr. William H. Sullivan (State Department). Mr. Colby has been advised and he in

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